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TAGS: [PREL](#) [ETRD](#) [ECON](#) [EFIN](#) [ASEC](#) [ZI](#) [BE](#)

SUBJECT: BELGIUM: FEDERAL POLICE DIAMOND OFFICERS SAY DUBAI  
COOPERATION KEY FOR KIMBERLEY PROCESS

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Classified By: P/E COUNSELOR RICHARD EASON, REASON 1.4 (B) (D)

Summary

1. (C) Federal Judicial Police working on diamond-related cases in Belgium's diamond center, Antwerp, told econoff April 8 that the lack of law enforcement cooperation from Dubai officials to Belgian police information requests seriously hampers their ability to successfully prosecute in Belgium any diamond-trade malefactors who run afoul of Belgian money-laundering, tax, or other laws. The police allege that in Dubai new Kimberley Process certificates and invoices are being created that facilitate illicit activities in the diamond trade--money laundering, tax evasion, smuggling--even if they do not involve conflict diamonds, Kimberley's raison d'etre. The policemen asked for U.S. pressure on Dubai through the Kimberley Process to try to boost Dubai's cooperation. End summary.

Dubai is "Key"

2. (C) Federal Judicial Police (FJP) officers covering the diamond beat told econoff in an April 8 introductory meeting that, in their opinion, Dubai's lack of assistance on information-sharing requests seriously harms the FJP's ability to bring cases to court in Belgium. In order to advance cases that can be successfully prosecuted, the police said, they need to be able to obtain documents that link diamond movements from source countries through Dubai into Belgium, proving that Kimberley Process certificates and invoices leaving Dubai were significantly higher than shipments leaving the source country.

3. (C) FJP officials believed the Kimberley Process (KP) also has been indirectly weakened by the inaction of Dubai officials in sharing information on importing of diamonds from Africa (and elsewhere). They said they believed Dubai issued new KP certificates and invoices for shipments to Antwerp (and elsewhere). At the least, Belgian police believe diamond traders are using Dubai to avoid paying taxes. But Belgian police worry that Dubai diamond activity

could also hide other activities such as terrorism (given the heavy involvement of Lebanese in Hezbollah) or organized crime. Illegal diamonds from Cote d'Ivoire or other areas such as Zimbabwe could be routed through Dubai and legitimized, they posited. (Note: the Belgian diamond police see the untoward use of Kimberley certificates as a problem in fighting diamond-related crimes, even though Kimberley itself is designed to deal only with conflict diamonds and not with other ills involving the diamond trade, such as fraud, money-laundering or tax evasion.)

¶4. (C) The police officers said they had "toned down" their original requests--originally they had asked Dubai authorities for detailed information on financial activities of diamond firms or to take particular actions (e.g., interrogate suspects or perform house searches). But then they theorized that Dubai did not have the capacity to do many of those things, so for some time the FJP have limited their requests to asking for Kimberley Process import certificates and the accompanying invoices, but they still have had no luck. "Dubai is key" for the Belgian authorities to create winnable cases. But they have had no response from Dubai authorities, they said. "It's like our fax machine is connected to a shredder (in Dubai)." one policeman said.

¶5. (C) Since Dubai's role as a middle-man in the diamond process is so important, the diamond police asked that the USG consider using its position within the Kimberley Process to try to gain better cooperation by Dubai authorities on information sharing. The FJP officers said this was an instance where KP's voluntary nature is a weakness, since it lacks the authority to enforce information sharing. Cooperation from Dubai officials would make life much more difficult for diamond traders trying to circumvent not only

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the KP process but also tax, custom and money laundering rules. Traders currently operating in Dubai could not move to Israel, or Mumbai, or Hong Kong, the police said. The police said the United Nations could perhaps also be helpful, but believed that since the creation of the Kimberley Process the UN was more in the habit of referring diamond-related issues to the KP group to deal with. This meant that the UN Security Council was much less apt to pass a diamond-related resolution that countries might use to fight problems of the trade, the policemen felt.

¶6. (C) Police contacts indicated that while they are limited in ability to follow leads, they have had a good record of winning cases that do make it to court, with a good and aggressive prosecutor in Antwerp ready to take on diamond-related cases. To build a solid legal case, they need a paper trail to help prove the "intellectual fraud" that is prosecutable, for example, providing false information for a Kimberley Certificate (on the value of the shipment or its provenance). The FJP said other kinds of intellectual fraud are tax evasion, smuggling (contravening customs law), money laundering, involvement in criminal organizations (i.e., organized crime), and terrorist financing. But with no paper trail, the information they receive about bad actors is "just stories" -- interesting, FJP contacts say, but useless in deterring or punishing criminal activity in the diamond trade. While the FJP has concerns about possible Hezbollah involvement in the diamond trade via Lebanese traders throughout the world, it has had no success in getting diamond-related information from Lebanese authorities, either.

¶7. (C) The police described for econoff how diamonds moved to market both pre- and post-Kimberley Process. Before Kimberley (and anti-money laundering and other controls) existed, a Belgian buyer would purchase diamonds directly from an African source country supplier. The supplier would invoice at a low price so export taxes are reduced. The Belgian purchaser would then, upon receipt, simply create a new invoice, showing a much higher price, thereby showing a

higher cost of doing business and reducing taxes paid. The buyer would then move the undeclared profits outside the country. Under the Kimberley Process, now the African seller prepares the KP certificate, listing the shipment's value and origin, and, in their example, sends the shipment on to Dubai. The declared value is still low to avoid export taxes. In Dubai, a new KP certificate listing a higher invoice value and "mixed" country of origin is created. Again the new invoice's higher value enables the purchaser to show higher costs and reduce the tax bite. The FJP said that now Dubai traders are starting to pay the suppliers directly, so that no payments coming from Belgium (where the police can track them) can be traced to the African supplier.

18. (C) Despite their focus on Dubai, the police officers said the fact is that weaknesses exist elsewhere in the system, with exporters being able to send diamonds to countries such as Guinea where KP certificates could be created, easing the entry of diamonds, which although non-conflict were still of suspicious provenance, into the legitimate trade.

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